

VBH BOT FYI Finance

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Foreclosures continue to soar in Illinois, defying nationwide trend By Anna Marie Kukec | Daily Herald Staff  
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Foreclosures in Illinois soared about 35 percent higher in July compared to a year ago, keeping the state in the top 10 with the biggest monthly increase nationwide, according to a RealtyTrac Inc. report released today.

The news wasn't any better on the local front. DuPage County foreclosures soared about 54 percent in July, compared to a year ago. Lake County followed with a 47 percent increase. The state and county results defied the nationwide trend that showed a nearly 10 percent drop in foreclosures, the Irvine, Calif.-based company report showed.

Experts said continuing high unemployment has been a major culprit here. Another has been the state law, which went into effect in April 2009, that allowed those facing foreclosure to have a 90-day grace period to save their homes.

That new law delayed the inevitable for some homeowners and artificially lowered the foreclosure rate last year, so this year's comparison is unusually high, said RealtyTrac spokesman Daren Blomquist.

The 90-day grace period has turned into 3 months of not paying the mortgage for some people. If they're unemployed, can't sell their home and its value is underwater, they have little recourse but to submit to foreclosure, said Marve Stockert, executive director of Lombard-based Illinois Association of Mortgage Professionals.

"In some cases, people are just giving up," Stockert said.

Nationwide, foreclosure filings, including default notices, scheduled auctions and bank repossessions, were reported on 325,229 properties in July, a 10 percent decrease from July 2009, RealtyTrac said.

In Illinois, foreclosure activity were on 19,602 properties, a 35 percent jump and the largest nationwide. It was also the third largest state total, the report said.

Illinois defied the national trend, said Blomquist.

"It looks like the state is getting a second wave of foreclosures due to the underlying economic problems, including high unemployment," Blomquist said.

And the rest of the year doesn't look much better. Stockert said things could remain bad or get worse when the new FHA law goes into effect in early October. It will spike the mortgage insurance premium from 50 basis points to as high as 90 basis points. On a \$100,000 loan, that would add \$500 to \$900 a year, all tucked into the mortgage payments. The extra fee is on all FHA mortgages.

"This new law will really hurt," Stockert said. "It will just take more people out of the market, especially those who are especially close to qualifying but won't be able to pay the extra amount."